

Message Text

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ACTION H-03

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC IMMEDIATE 1654
FINFO RUQMKG/AMEMBASSY AMMAN 5258
AMEMBASSY DAMASCUS
AMEMBASSY KHARTOUM
AMEMBASSY JIDDA IMMEDIATE
AMEMBASSY TEL AVIV

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JIDDA FOR CODEL SIMON

E.O. 11652: N/A
TAGS: OREP (CODEL SIMON), EFIN, EAID, EGEN, EG
SUBJECT: REPORT ON CODEL SIMON VISIT

REF: (A) CAIRO 18345, (B9 CAIRO 18863

1. SUMMARY. CODEL SIMON COMPLETED USEFUL THREE-DAY VISIT
CAIRO NOVEMBER 13. ACTIVITIES INCLUDED NOVEMBER 12 MEETING
WITH PRESIDENT SADAT AND DEPPRIMIN KAISOONI. LATTER WAS
JOINED BY ECONOMIC GROUP MINISTERS, INCLUDING MINECON HAMED
EL SAYEH; MINFINANCE SALEH HAMID, MINSUPPLY ZAKARIA TEWFIK
AND DEPCHAIRMAN INVESTMENT AUTHORITY, GAMAL AL NAZER. ON
OTHER TWO DAYS CODEL SIMON TOURED VARIOUS AID PROJECTS IN
CAIRO, HELWAN AND GIZA AREA AND PARTICIPATED IN AID/EMBASSY
BRIEFINGS. CODEL ATTENDED RECEPTION IN HIS HONOR AT
AMBASSADOR'S RESIDENCE NOVEMBER 11 AND PEOPLES ASSEMBLY ON
NOVEMBER 12, WHICH PROVIDED OPPORTUNITIES FOR INFORMAL
DISCUSSIONS WITH EGYPTIANS. END SUMMARY.

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2. CODEL CONCERNED ACTIVITIES NOVEMBER 11 WITH FAMILIARIZA-
TION TRIP CONCERNED WITH PRESENT USE OF LARGE PORTION USAID
CIP FUNDS AND SOME PROJECT MONIES IN BOTH RURAL AND URBAN
AREAS. VISIT INCLUDED TOUR OF HELWAN INDUSTRIAL COMPLEX
WHERE CIP FINANCING HAS PROVIDED FOREIGN EXCHANGE FOR
PURCHASES OF TRACTORS AND RAILROAD CAR ASSEMBLIES, COKING

COAL AND CAPITAL EQUIPMENT. TRIP ALSO INCLUDED STOP AT COMBINED RURAL SOCIAL SERVICES UNIT PROVIDING HEALTH, SOCIAL AND SOME EDUCATIONAL FACILITIES TO POPULACE IN NEARBY AREA. CODEL SIMON RETURNED TO EMBASSY SAME DAY FOR AID BRIEFINGS CONDUCTED BY USAID DIRECTOR AND LATER IN DAY JOINED CODEL PRICE FOR EMBASSY BRIEFING GIVEN BY AMBASSADOR EILTS AND DAO.

3. CODEL'S MEETING WITH DEPPRIMIN DR. ABDEL MONEIM KAISSOUNI AND ECONOMIC GROUP NOVEMBER 12 CENTERED ON RECENT GOE ACHIEVEMENTS IN ECONOMIC SPHERE AND EFFECTIVENESS OF U.S. ASSISTANCE IN EGYPT. CONGRESSMAN SIMON MENTIONED TO DR. KAISSOUNI THAT HE WAS IMPRESSED WITH RECENT IMPROVEMENT IN BOTH GOE SHORRT-TERM DEBT PICTURE AND BALANCE OF PAYMENTS. HE NOTED THAT INTERNATIONAL OPINION ATTRIBUTED IMPROVEMENT TO KAISSOUNI'S STRONG ECONOMIC LEADERSHIP. KAISSOUNI THANKED REPRESENTATIVE SIMON FOR HIS COMMENTS, BUT STRESSED EGYPT STILL FACES MANY ECONOMIC PROBLEMS, THOUGH NOT OF IMMEDIATE SEVERITY FACED IN RECENT YEARS. ECONOMIC GROUP'S 1977 EFFORT HAS FOCUSED ON USING CASH ASSISTANCE PRINCIPALLY FROM ARAB DONORS TO ELIMINATE SHORT-TERM ARREARS. U.S. COMMODITY ASSISTANCE WAS MAINLY DEVOTED TO MEETING IMMEDIATE FOOD REQUIREMENT NEEDS. EFFORTS IN 1978 WILL CONCENTRATE ON IMPROVEMENT IN EGYPTIAN PRODUCTIVE CAPACITY AND DEVELOPMENT OF INFRASTRUCTURE AND PRIVATE SECTOR. KAISSOUNI AND MINECON EL SAYEH NOTED THAT IMF HAS BEEN LIMITED OFFICIAL USE

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PARTICULARLY SUPPORTIVE OF GOE EFFORT, AS INDICATED BY IMF STANDBY AGREEMENT CONCLUDED LAST APRIL, AND DISCUSSION NOW UNDERWAY ON POSSIBLE EXTENDED CREDIT FACILITY. INVESTOR CONFIDENCE, ACCORDING TO KAISSOUNI AND MINECON, HAS BEEN REJUVENATED BY STEPS GOE HAS TAKEN IN COORDINATION WITH IMF; THIS HAS BEEN REFLECTED IN INCREASED ACTIVITY IN EGYPTIAN STOCK EXCHANGE AND OVERSUBSCRIPTION TO GOVERNMENT-ISSUED DEVELOPMENT BONDS. KAISSOUNI EXPRESSED BELIEF EGYPT WOULD CONTINUE ATTRACT INVESTOR CAPITAL FROM (PRINCIPALLY) EGYPTIANS ABROAD, BUT ALSO FROM OTHER SOURCES. THIS IN TURN WOULD STRENGTHEN SMALL PRIVATE SECTOR AND LEAD TO MORE FOREIGN PRIVATE INVESTMENT IN FUTURE. ON QUESTION OF U.S. ASSISTANCE, KAISSOUNI SAID AID HAD MADE EFFORT TO BE FLEXIBLE WHILE ADDRESSING BOTH SHORT AND LONG TERM ECONOMIC NEEDS. HE SAID GOVERNMENT WAS MOST APPRECIATIVE OF U.S. EFFORTS BUT U.S. CONGRESS MUST REALIZE FUTURE EGYPTIAN ECONOMIC GROWTH CONTINGENT UPON CONTINUATION OF EXISTING LEVELS OF FOREIGN ASSISTANCE FROM BOTH PARALLEL AND MULTILATERAL SOURCES. WHILE ALL MEMBERS OF GROUP EXPRESSED CAUTIOUS OPTIMISM ABOUT EGYPT'S ECONOMIC FUTURE, THEY REITERATED AT SEVERAL POINTS DURING CONVERSATION THAT FOREIGN ASSISTANCE WAS KEY TO STRONG EGYPTIAN ECONOMY AND WOULD BE

FOR SOME TIME TO COME.

4. AT END OF MEETING MINECON EL SAYEH MENTIONED CRITICAL NEED FOR EGYPT TO IMPORT SHORT-STAPLE COTTON AS SUBSTITUTE FOR LOCAL, LONG-STAPLE VARIETY. HE SUGGESTED PL 480 FUNDS SHOULD BE USED. USAID DIRECTOR NOTED USG PROBLEM WITH PROPOSAL RELATED TO PROHIBITION ON USE OF PL 480 FUNDS TO IMPORT MAJOR EXPORT COMMODITY FOR SUBSTITUTION PURPOSES, BUT SAID USG IS GIVING CLOSE SCRUTINY TO POSSIBILITY THAT CCC FUNDS COULD BE MADE AVAILABLE FOR THIS PURPOSE. CONGRESSMAN SIMON PROMISED EL SAYEH THAT HE WOULD LOOK INTO PROBLEM FROM WASHINGTON AND ASSIST IF FEASIBLE.

5. CODEL JOINED CODEL PRICE FOR MEETING WITH PRESIDENT SADAT LIMITED OFFICIAL USE

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NOVEMBER 12. MEETING FOCUSED PRIMARILY ON POLITICAL AND MILITARY ISSUES.(SEE REFTEL). DURING COURSE OF DISCUSSION WITH PRESIDENT, REP. SIMON MENTIONED MEETING WITH KAISOUNI AND COMPLIMENTED PRESIDENT ON SUCCESSES ECONOMIC MINISTERS HAD ACHIEVED IN PAST YEAR.

6. BEFORE DEPARTURE FOR KHARTOUM CODEL SIMON ON NOV 13 TOURED THREE INNER CITY SITES WITH AID PROJECT OFFICER TO VIEW WATER AND SEWAGE PROBLEMS OF URBAN CAIRO.

7. CODEL SCHEDULE PRECLUDED CLEARANCE OF THIS MESSAGE BEFORE DEPARTURE. WOULD APPRECIATE BEING INFORMED OF ANY MODIFICATIONS DESIRED BY CODEL. POST REPEATING REF B TO JIDDA FOR CODEL.
EILTS

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